This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 LAGOS 001870

SIPDIS

USDOC PASS TO USITC FOR DAN LEAHY

E.O. 12958: N/A
TAGS: ETRD EINV EFIN NI XA
SUBJECT: NIGERIA: USITC STUDY ON U.S. - SUB-SAHARAN AFRICA TRADE AND INVESTMENT

REF: STATE 224559

¶1. (U) U.S. Mission Nigeria is pleased to provide the following information in response to reftel.

DEVELOPMENTS IN NIGERIAN ECONOMIC, TRADE AND INVESTMENT POLICIES

¶2. (U) In August 2003, the GON unveiled a new economic plan, the National Economic Empowerment and Development Strategy (NEEDS), that outlines strategies for attaining macro-economic stability (with emphasis on low inflation and stable interest and exchange rates) as well as achieving annual GDP growth of 5-7 percent. The ambitious plan emphasizes the GON's commitment to fiscal discipline and public sector reforms, places special emphasis on health, education and agriculture, and aims to raise the rate of industrial capacity utilization from 40 to 80 percent.

¶3. (U) Despite its stated commitment to an open and rules-based trading system, Nigeria's trade policy remains inconsistent. In March 2003, the GON cut duties on many line items (mostly raw materials and capital equipment) but raised them on others (primarily finished goods and agricultural products). This followed similar year-on-year cuts and increases, often on the same goods. A protectionist bent is increasingly evident in Nigerian trade policy, as many items - including frozen poultry, certain printed fabrics, cassava, ice cream, fruit juice in retail packs, toothpicks, beer and pasta - are simply banned, ostensibly to foster domestic production (even though domestic industries are unable to meet demand).

¶4. (U) Nigeria reduced its port taxes in 2001 and 2003 and has begun to remove administrative obstacles that hamper efficient operations. Port congestion and clearance rates, particularly at Lagos's Apapa Port, which handles over 40 percent of Nigeria's trade, have improved significantly, as have efforts to enforce the GON's policy of inspecting 100 percent of imports for contraband. In addition, the GON intends to implement a destination inspection regime for valuation of import duties in January 2004 (after several failed attempts in recent years), but the Nigerian Customs Service's capacity to handle that responsibility is questionable.

¶5. (U) The GON offers export incentives ranging from grants to guaranteed loans to tax concessions, but few Nigerian firms benefit from them. Some businesses, however, have begun to take advantage of the Calabar and Onne free trade zones (FTZs). The latter has become increasingly attractive to oil and gas companies, which use it as a bonded warehouse for supplies and equipment and liquefied natural gas exports. The GON now allows products assembled in the Calabar FTZ from reduced-tariff imports to be sold in Nigeria free of import duties. Nigeria remains the primary market for Calabar FTZ products.

¶6. (U) Investment remains concentrated in the oil and gas sector, which continues to attract funds for oil and gas exploration and production, liquefied natural gas projects and related activities. The telecommunications sector has grown at an explosive pace, and some investment is being channeled into manufacturing and industry.

DEVELOPMENTS IN MAJOR REGIONAL GROUPINGS

¶7. (U) No significant changes have occurred. Nigeria remains an active member of ECOWAS and other regional economic, commercial and financial organizations.

-- --------
UPDATED INFORMATION ON NIGERIAN PRIVATIZATION EFFORTS
-- --------

¶8. (U) More than 30 enterprises - including cement manufacturing firms, banks and hotels - have been privatized since the GON's 1999 launch of a three-stage privatization program. Attempts to privatize the NICON Hilton Hotel and Nigeria Telecommunications Limited (NITEL), however, have been unsuccessful. The GON recently selected a Dutch consortium, Pentascope International, to manage NITEL until mid-2006 and now expects to divest at least 51 percent of its shares at the expiration of that contract.

¶9. (U) The privatization of Nigeria's National Electric Power Authority (NEPA) continues to move slowly. Given the complexities of the sale, NEPA's poor financial condition, and strong public opposition, the privatization could take time. NEPA is moving slowly to unbundle its services. The company will be split into several autonomous firms encompassing power generation, transmission, distribution, and billing.

MAJOR AGOA-RELATED DEVELOPMENTS

¶10. (U) Nigeria has not capitalized on AGOA trade preferences to any discernible degree (oil and gas products continue to dominate U.S. imports under the program) and has yet to adopt a visa regime that will allow it to take advantage of AGOA's textile and apparel benefits. The GON has, however, amended the 1990 Customs and Excise Management Act to base the valuation of imports on actual transaction values and to penalize transshipment of goods by imposing fines of up to three times the value of the goods involved. The legislation thereby moves Nigeria closer to satisfying AGOA-related rules of origin requirements.

-- ---
EXAMPLES OF U.S. TRADE CAPACITY-BUILDING EFFORTS
-- ---

¶11. (U) The USG continues to work with Nigerian trade associations and businesses to facilitate bilateral trade and investment. Post supports the Nigerian Investment Promotion Commission in its efforts to lower or remove barriers to investment and maintains ongoing contact with the Nigerian-American Chamber of Commerce, the Lagos Chamber of Commerce and Industry, and other trade promotion organizations.

¶12. (U) The U.S. Commercial Service hosts two week-long trade fairs annually to showcase U.S. goods and services available to Nigerian businessmen and holds an annual agent-distributor forum to explore ways of improving market access through lower tariffs, more thorough product certification, and improved local business practices. In early 2003, the U.S. Commercial Service also launched its Global Trade and Investment Management (GTIM) program. GTIM supports Nigerian entrepreneurs by providing access to online market development training and trade and investment information. The program also provides access to a series of business service centers.

HINSON-JONES